STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 97-519

August 19, 1997

PUBLIC UTILITIES COMMISSION
Inquiry into Terms and Conditions for Standard-Offer Service and the Selection of Standard-Offer Providers

NOTICE OF INQUIRY

WELCH, Chairman; NUGENT and HUNT, Commissioners

I. SUMMARY

In this notice, we initiate an inquiry to obtain information on terms and conditions to govern standard-offer service and on processes to select standard-offer providers.

II. BACKGROUND

On May 29, 1997, the Governor signed into law “An Act to Restructure the State’s Electric Industry” (Act). P.L. 1997, ch. 316. The Act directs the Commission to adopt rules establishing terms and conditions for standard-offer service in the state, and establishing a methodology for selecting standard-offer providers. See 35-A M.R.S.A. § 3213(1) and (2).[1] A copy of Section 3212 is attached to this Notice.

The Act provides all Maine electricity consumers with the right to purchase generation services directly from competitive providers beginning on March 1, 2000. Standard-offer service will be available to all customers, and thus ensure that service is available to those who do not choose a competitive generation provider or who cannot obtain power from the market at reasonable terms. Standard-offer service will also give consumers time to adapt to restructuring. Standard-offer service must remain available to all electricity consumers until March 1, 2005. The Commission must determine, by June 30, 2004, whether the continued availability of standard-offer service is in the public interest.

The Commission will administer the bidding process and select the standard-offer provider(s) for each transmission and distribution (T&D) utility’s service area by July 1, 1999.

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[1] All references in this Inquiry to 35-A M.R.S.A. refer to sections that will become effective on September 19, 1997.

III. ISSUES FOR COMMENT

We invite interested persons to comment on the following issues, and on any additional issues the Commission should address in this proceeding.

A. Terms and Conditions for Standard-Offer Service

The Act requires the Commission to adopt rules that establish terms and conditions for standard-offer service. 35-A M.R.S.A. § 3212(1). To inform this effort, we ask parties to respond to the following questions. In addition, parties may comment generally on the content and scope of standard-offer terms and conditions, or on any issue relevant to standard-offer service terms and conditions not covered in response to the questions.

1. Please provide an outline of terms and conditions that the commenter recommends govern the provision of standard-offer service. Include a brief description of each provision and explain its purpose. Include terms and conditions in, at least, the following areas:

a. entry and exit restrictions;

b. definition, tracking and enforcement of standard-offer providers’ obligations, and provisions to ensure the recovery and allocation of costs of electric service if standard-offer providers fail to meet obligations;

c. credit, collection, and disconnection provisions; and

d. metering and billing.

2. Please outline a set of provisions governing standard-offer entry and exit that would simultaneously: (1) allow adequate flexibility so customers could experiment with the market; and (2) minimize misuse of the standard offer, e.g., by strategic entry/exit as market prices fluctuate.

3. Should there be one or more than one category(ies) of standard-offer service? Should there be one form of standard-offer service for customers who (for whatever reason) decide not to buy from a competitive energy service provider after March 1, 2000, and another for customers who choose a competitive provider but then (again, for whatever reason) return to standard-offer service? Should that distinction be permanent

(i.e., no return to "basic standard-offer service), or should returning customers be allowed re-entry to basic service after a specified period of time or after certain characteristics have been attained? Please be specific.

4. Should a minimum subscription period(s) apply to customers taking standard-offer service? Should the minimum period be one month, i.e., correspond to billing cycle, or should it be longer, e.g., six months, one year? What differences in minimum periods (if any) should apply to different customer types and why? For example, should large industrial customers have a different minimum period requirement than residential customers?

5. What differences (if any) should apply to customers that have options other than the standard offer versus customers without options? Explain (e.g., poor credit history) the basis for each such difference.

6. Outline and briefly describe the provisions and processes necessary to notify standard-offer provider(s) when customers enter or exit under specific circumstances. Indicate who should be liable to notify the standard-offer provider in each circumstance and why.

a. voluntarily exit from the standard offer to enter the competitive generation market;

b. voluntarily enter, or enter by default, to the standard offer when customers terminate purchases from competitive generation providers;

c. involuntarily enter or, enter by default, to the standard offer when a competitive generation provider terminates or fails to provide service;

d. entry to or exit from the T&D service territory.

7. Please outline and describe provisions (if any) that would require a contract or other form of written agreement between the standard-offer provider(s) and the T&D utility in whose territory they serve. Please outline and describe provisions (if any) that would require a contract or written agreement between the standard-offer provider(s) and any other entity.

8. How should the standard-offer providers' obligation to serve be defined? For example, should the

obligation be “all requirements” in nature, defined by a specified kW or kWh level, or in some other way? If not “all requirements,” how could the Commission ensure that the responsibility and risk associated with matching standard-offer supply and demand reside with the standard-offer providers?

9. Please outline and describe rules the Commission should establish to protect consumers from a provider’s failure to meet its service obligation. Should some or all of the licensing requirements of 35-A M.R.S.A. § 3203 apply to standard-offer providers? Please identify those that should apply, those that should not, and explain why. Should the Commission require standard-offer service providers to be bonded? Please identify and describe any requirements that should apply to standard-offer providers in addition to those applicable to other competitive providers. Describe penalty mechanisms (if any) that should apply to failure to meet standard-offer service obligations.

10. Provide an outline of terms and conditions to govern rate design of standard-offer service. Include a brief description of each provision and explain its purpose.

11. If a standard-offer bidding process gave potential providers the flexibility to propose various rate design approaches in their bids, what standards, at minimum, ought to be set by rule? For example, must the standard-offer be:

a. geographically averaged;

b. voltage differentiated;

c. identical for all customers within a given T&D utility customer class;

d. measurable by the T&D service meter?

12. Should a standard offer provider be allowed to offer more than one rate structure within a given customer class? How many customer classes ought to be bid upon? Will people bid more aggressively with one pattern of customer class than another?

13. Should any traditional electric rate design principles apply to standard-offer service? Please provide a short explanation for your rationale. For example, should standard-offer rates be designed to:

a. encourage economic efficiency;

b. be equitable;

c. be simple;

d. mirror existing rates;

e. be stable;

f. be predictable?

14. To what extent should the Commission require that standard-offer rates reflect the cost of providing standard-offer service. If costs are reflected, identify and describe the relevant costs and how they would be measured.

15. Should there be terms and conditions that require standard offer rates to be differentiated by season and/or time-of-day? If so, why would requiring this by rule be preferable to allowing providers flexibility in this respect? If terms and conditions require seasonal and/or time-of-day differentiation, how should the Commission determine appropriate seasonal and/or diurnal rate periods and differentials?

16. Should terms and conditions require that rates and/or rate structures vary among customer classes, or should bidders have flexibility in this regard? If terms and conditions require any variation, explain why it is necessary or desirable.

17. Should terms and conditions require that standard-offer customer classes be parallel, or be identical to, T&D customer classes? If not parallel to T&D classes, what factors would distinguish and group standard-offer customers? (e.g., customer type, end-use, voltage level, maximum demand, energy consumption, entry/exit pattern)?

18. In discussing questions 14-16, please discuss the effects of terms and conditions that allow greater or lesser flexibility for rate design by bidders in evaluating standard-offer provider’s bids.

19. Should there be terms and conditions that require standard-offer rates to be capped and/or indexed? If so, please identify and briefly describe the provisions the Commission should include, and the purpose of each provision. Should the Commission establish terms and conditions that would require standard-offer rates to resemble retail rates in effect prior to restructuring? If so, please identify and describe each such term/condition and its purpose.

20. Please identify and briefly describe the rules that should apply to standard-offer service for credit, collection and disconnection matters. Should the Commission apply Chapters 81, 86 and 87 of its rules to standard-offer providers? Please identify in what respects (if any) rules for standard-offer service should differ from those for T&D service and explain why.

21. Should the Commission allow standard-offer providers to require deposits from customers as a means of establishing credit? Are the regulations (Chapter 81 and 87) that currently govern deposit requirements, amounts and procedures for electric utilities reasonable?

22. Should the Commission allow a standard-offer provider to deny entry or discontinue service to a customer? If yes, please identify under what circumstances. Outline any procedures or steps that should precede service denial or discontinuation. Are the current rules governing disconnection (Chapters 81 and 86) reasonable?

23. Should standard-offer service be metered and billed in combination with T&D service by the T&D utility? What information about the standard-offer (e.g., rates, identity of provider(s)) should the T&D utility list separately on its bill? If standard-offer service is metered separately, identify and describe all measurement standards (e.g., definition of demand, time-of-use periods) that the Commission should establish by rule and explain why the Commission should establish them.

B. Mechanism for Selection of Standard-Offer Service Providers

The Act at 35-A M.R.S.A. § 3212(2) requires the Commission to establish a method for structuring the bid process for selecting standard-offer providers. The Commission must consider methods that would promote multiple providers in each T&D service area, provided that this practice would not result in any significant adverse impacts on the rates paid by consumers. To inform this effort, we ask parties to respond to the following questions. In addition, parties may comment generally on the content and scope of standard offer bidding rules, or on any relevant issue not covered in response to the questions.

1. Please provide an outline of rules that should govern the bidding and selection processes for standard-offer service. Include a short description of each provision and an explanation of its purpose.

2. List all types, and describe the associated specificity level, of customer credit data the T&D utility should provide to standard-offer providers who are considering the submission of a bid. To what extent should the Commission ensure the accuracy of this information and how can this be done? How should the cost of providing this data be determined and recovered?

3. List all types, and describe associated specificity level, of customer usage data the T&D utility should provide to bidders (e.g., demand, consumption, time-of-use, time of coincident and non-coincident peaks, number of customer, voltage level). How should the accuracy of the information be ensured? How current should the data be? Should the T&D utility provide forecast or historic data, or both? How should the cost of providing customer usage data be determined and recovered?

4. Please identify and describe provisions to protect individual customers' confidentiality with respect to the information provided to bidders.

5. Please identify and describe provisions the Commission should establish by rule to ensure that all bidders have equal access to customer credit and usage information a T&D utility provides. Please identify and describe provisions that would ensure a competitive electricity provider affiliated with a T&D utility has no greater access to relevant information.

6. Should the rules governing provision of credit and usage data be the same for all T&D utilities, or are different rules appropriate for, e.g., IOUs vs. COUs? If different rules are appropriate, please identify and describe in what respects they should differ, and explain why.

7. What factors should the Commission consider in determining the maximum duration of term for a standard-offer bid? Should the Commission also set a minimum standard-offer duration? If so, what factors are relevant? If there are multiple providers within a T&D service territory, should the Commission require their service duration terms to be coincident or may they vary, and why?

8. What is the minimum service duration term, and why? What maximum, and why?

9. Identify and describe provisions to monitor and ensure that a marketing affiliate of a T&D utility complies with the 20% cap set by 35-A M.R.S.A. § 3212(2)(c). Please also describe how these rules would be enforced.

10. The Commission must adopt rules to consider "methods to ensure, to the extent possible, at least three providers of standard-offer service in each T&D utility service territory, as long as the method does not result in any significant adverse impacts on rates paid by consumers." 35-A M.R.S.A. § 3212(2). Please identify and describe any provisions the Commission should consider to comply with this requirement. How should the Commission define "significant adverse impacts"?

11. If more than one standard-offer provider serves in a T&D service territory, how would each one's obligation be defined? Please comment specifically on whether a provider's obligation could be defined as "all requirements" for a percentage of actual standard-offer load.

12. If more than one standard-offer provider serves in a T&D service territory, should providers' service be pooled, or should providers be assigned particular: customer classes? geographic areas? load? Other? Please explain how any assignment approach (as opposed to pooling) would be implemented and why it is desirable. If service should not be pooled, please explain the basis for, and benefits of, a system wherein customers within a T&D service territory would pay different rates under the standard offer.

Interested persons may participate in this inquiry by filing a letter stating their interest in this proceeding no later than August 29, 1997. The letter should be addressed to Dennis L. Keschl, Administrative Director and include the docket number, Docket No. 97-519. The Commission will then issue a service list. All subsequent filings must be served to all interested parties on the service list. Interested persons may file substantive comments by September 8, 1997. We will convene a meeting with parties on Wednesday, September 17, 1997 to discuss the comments received. We will initiate a formal rulemaking before October 1, 1997.

Accordingly, we

O R D E R

1. That an inquiry shall be opened as described in the body of this Notice;

2. That this Notice shall be sent to all electric utilities in the State of Maine;

3. That this Notice shall be sent to the service list of electric restructuring, Docket No. 95-462;

4. That this Notice shall be sent to all consumer groups who participated in Docket No. 97-429;

5. That this Notice shall be sent to the service lists of Docket No. 92-345; Docket No. 95-052; Docket No. 97-116; and

6. That this Notice of inquiry will also be posted on the Commission's website, http://www/state.me.us/mpuc

Dated at Augusta, Maine this 18th day of August, 1997.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Hunt